

AR02



Royal Trust
1976
Annual Report



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Le secrétaire, au siège social,
vous fera volontiers parvenir un
exemplaire du rapport annuel
en français, sur demande.



77th Annual Report

of The Royal Trust Company
for the year ended
December 31, 1976
(Consolidated Operations)

77th Annual General Meeting
Montreal
Thursday
March 3, 1977
11.00 a.m.
Le Château Champlain Hotel

Highlights

	1976	1975
	(Dollars in thousands, except per share amount)	
Gross income	\$ 504,019	\$ 411,929
Net operating profit	\$ 19,610	\$ 18,945
Net operating profit per share	\$ 1.78	\$ 1.83
Net profit	\$ 19,128	\$ 17,705
Net profit per share	\$ 1.74	\$ 1.71
Assets	\$ 4,266,887	\$ 3,435,709
Estimated market value of Estates, Trusts and Agency Accounts under administration	\$12,559,000	\$11,719,000
Total assets under administration	\$16,825,887	\$15,154,709
Total number of offices	236	142
Total number of employees	7,815	5,559



The figure, from a totem pole, on our front cover was carved by a member of 'Ksan, an Indian Museum and Craft Village in Hazelton, British Columbia, who uses tools that his ancestors would recognize.

630 Dorchester Blvd. West
Montreal, Que.
H3B 1S6



Kenneth A. White, left, President and Chief Executive Officer and Conrad F. Harrington Chairman of the Board and Chairman of the Executive Committee

The Canadian Economy in 1976 was characterized by restricted government policies, dictated by the need to reduce inflation. These policies were originally detailed in the federal Anti-Inflation Program, introduced in late 1975. Specifically the regulations applying to the trust industry, which were not promulgated until late in 1976, provided for a freeze on our service charges in the fiduciary and real estate operations and a profit margin restriction in our deposit taking operation. In conjunction with this restraint program, the Bank of Canada maintained a tight money policy, causing interest rates to rise in March, and then remaining high for most of the year, before declining at year-end. Nevertheless inflationary pressures persisted throughout the year. These factors created a particularly difficult climate for our Company. Our operating expenses continued to increase at a rate faster than could be offset by increased service charges as we were constrained by the Anti-Inflation Board guidelines. These factors were largely



instrumental in producing only a modest increase in operating profits from our Canadian operations.

Elsewhere, in the western world the major industrialized nations showed signs of recovery, particularly the United States. This proved beneficial to our Florida operations. However in the United Kingdom, the rate of inflation although declining, remained high. This resulted in a lack of confidence in sterling throughout 1976 causing a major devaluation of this currency as reflected in our financial statements.



Left to right
John M. Scholes
Executive Vice-President,
Regional Operations
Keith C. Pilley
Executive Vice-President,
Functional Operations and
Richard T. La Prairie
Executive Vice-President,
Finance

New Growth Records, however, were achieved in 1976 in spite of many negative factors – our assets now exceed \$4 billion and gross income passed the half-billion mark. The relatively smaller growth in earnings compared to asset growth, as reflected in this report, is attributable to a combination of factors – restrictions on price increases, a downtrend in real estate markets during the latter part of the year and the one time costs associated with acquisitions of new business in Canada and U.S.A. Detailed comments on our balance sheet growth and operating results are contained in the Financial Review later in this report.

The Acquisition of United Trust, referred to in our quarterly reports, resulted in a major expansion of the Company's savings and real estate sales operations, particularly in the metropolitan Toronto area. Overall we acquired some 90 new locations in Alberta, Ontario, Quebec and the Maritimes with a staff of 2,300 including savings, administrative and real estate sales personnel. Their branch operations are now fully integrated with the Company. The significance of this acquisition is best expressed in the opportunity it gave Royal Trust to complete a major branch expansion in certain parts of Canada in a matter of weeks which otherwise would have taken several years. We expect these facilities to produce significant additions to assets and earnings at an early date.

Also the Company opened 13 new offices during the year. Our Canadian operations are now conducted from some 226 offices from St. John's, Newfoundland to Victoria, British Columbia, which represents a growth of almost 400% in our branch system over a 10 year period.

In Florida, the initial objective of our expansion programme has been to establish a base of operations in each of the seven most populated counties of that State. Our secondary objective is to expand within each of these counties through additional branch offices. Commencing January 1977, branch banking in Florida is permitted within a county. To date we have acquired banks in four of these counties – Dade (Miami), Hillsborough (Tampa), Pinellas (St. Petersburg) and Palm Beach (Palm Beach) and have bank acquisitions pending regulatory approval in two others – Broward (Pembroke Pines in the vicinity of Hollywood) and Duval (Baymeadows, a suburb of Jacksonville). We are still seeking a suitable

Vicki Lynn Crowe (standing) and Hazel de Long design and sew quilts in New Germany, Nova Scotia, according to the old patterns dear to our ancestors. Only the sewing machine has changed from the early pioneer days, even though the quilting is still done by hand.



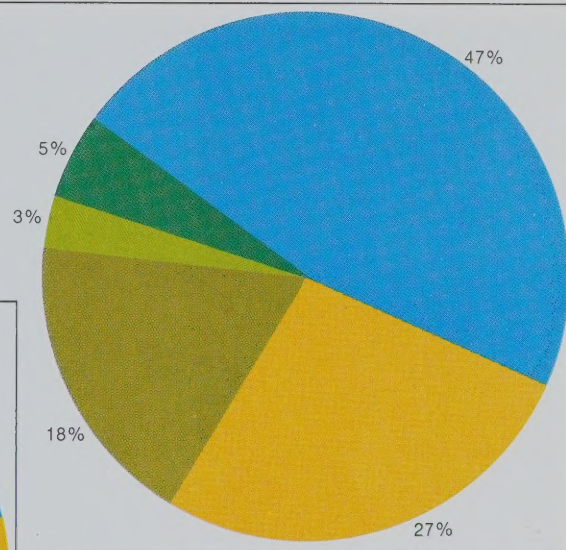
This fine quilt pattern is a combination of intricate sewing points and cotton fabric.



These comparative charts illustrate the broadening of our business base both nationally and internationally over the past decade.

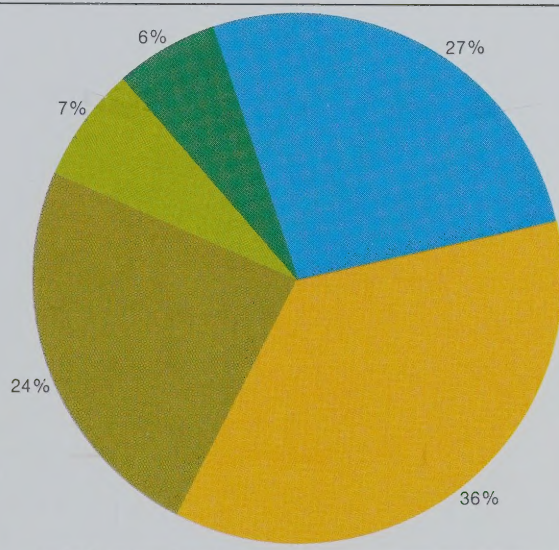
Geographical Distribution of Income 1966

Atlantic
Quebec
Ontario
Western Canada
Foreign



Geographical Distribution of Income 1976

Atlantic
Quebec
Ontario
Western Canada
Foreign



acquisition in Orange County (Orlando). In addition, regulatory approvals have been received for three more sites. Recently our U.S. subsidiary bank holding company, the Royal Trust Bank Corp., moved into its new headquarters in the 15 storey Royal Trust Tower in Miami. Our total assets in Florida now amount to \$180 million.

It should be noted by Canadian shareholders that due to the different nature of regulatory controls, expansion of our operations in the U.S.A., is somewhat more complicated, more expensive and time consuming, than similar expansion in Canada. We feel certain however that the results will make the effort rewarding and satisfactory.

Overseas, we established a new subsidiary, The Royal Trust Company (Isle of Man), in Douglas. The Isle has its own parliament, the Tynwald, which is one of the longest established legislative bodies in existence. This subsidiary will offer similar services to those available from our operations in the Channel Islands.

Other Activities in 1976 included expansion of our equipment leasing function with the financing of some \$75 million of railway rolling stock and ships of which the financing of the \$36 million M.V. Arctic was unique. This is an ice-breaking cargo carrier to be used during the summer to carry supplies to northern Arctic communities and transport ore south. It will also be used as a laboratory to investigate movements of ships in ice conditions and to research designs for future Arctic class vessels. Unfortunately, this may be our "last hurrah" in the equipment leasing field as the Canadian Government through an amendment to the Income Tax Act in 1976 has substantially prevented Canadian investors from achieving tax advantages formerly available through leasing transactions. It is a measure we feel to be self-defeating to Canadian interests as this field of financing will now be attractive only to non-Canadian investors.

A noteworthy event in 1976 was the successful entrance into the European money market of our mortgage subsidiary, The Royal Trust Company Mortgage Corporation, with the sale of two issues of Euro Canadian dollar debentures for a total of \$40 million.

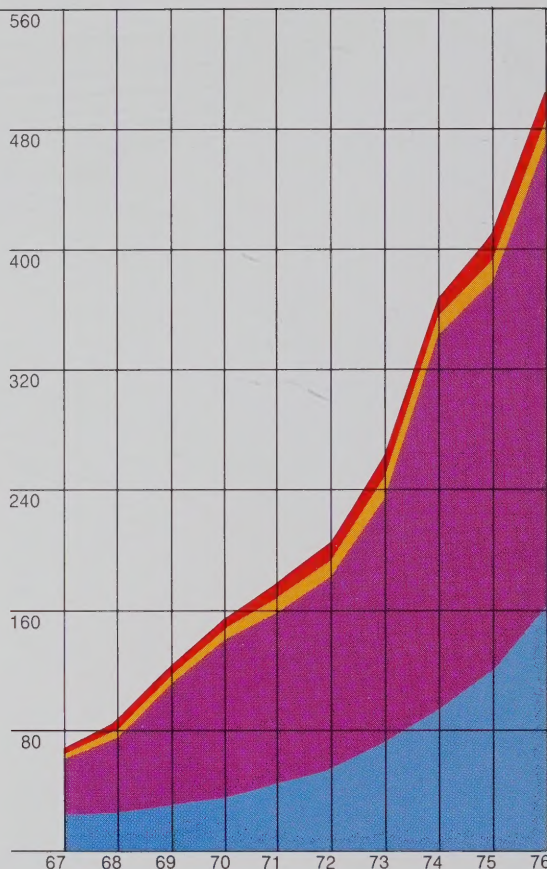
Our introduction of the "Royal Trust 60" program, for clients 60 years of age and over, has been well received. This service includes among

Operating Income and Expenses

(Millions of Dollars)

For 1976, for each dollar of income received, 61 cents was paid to depositors and noteholders, 22 cents as compensation and benefits to staff and real estate sales persons, 10 cents for rent and other operating expenses, 3 cents for income taxes, 2 cents to shareholders and 2 cents was retained by the Company.

Salaries and other Expenses
Interest Paid
Income Taxes and Minority Interest
Net Operating Profit



other financial benefits, a special savings facility paying a premium rate of interest over the regular rate, no service charge on the payment of utility bills and no charge on the purchase of traveller's cheques.

A Corporate Reorganization was started in January 1976 with the formation of two federally incorporated companies. Royal Trustco Limited, a holding company, and its subsidiary Royal Trust Corporation of Canada, a trust company. The Corporation, with its head office in Calgary, commenced operations in Western Canada and is now registered to conduct business in all the Canadian provinces, except Quebec where our operations will continue under the existing provincial charter. Most other Royal Trust subsidiaries have been transferred to this holding company.

The purpose of the reorganization is twofold. The holding company will facilitate our future expansion programmes because of investment powers, which are broader than those available to a trust company. The federally chartered trust company gives recognition to the national and international scope of our business and underlines the importance of our Canadian business in the Maritimes, Central and Western Canada. In addition it will provide greater flexibility in our day-to-day operations.

Ron Sebastian, a totem pole carver of the 'Ksan Indian Village in Hazelton, British Columbia, hand carves the traditional figures handed down from generation to generation. Ron, is a member of the Carrier tribe under the Wolf crest.

Language Regulations introduced in recent years by the Government of Quebec have caused anxiety to many Canadians. With our head office in Montreal, it would be naive not to acknowledge that this situation is of particular concern to us. Royal Trust started operations in Montreal some 78 years ago, expanded throughout Canada and abroad into the British Isles, Ireland and more recently to the U.S.A. Presently we are operating from some 236 locations throughout the world of which 56 are located in Quebec. English is the principal language of communication with our clients generally. However, in Quebec, we are capable of communicating in either French or English, depending on the preference of the individual client. It will be appreciated that because of the heavy predominance of English as the necessary language of business for both our clients and staff globally, it is essential that day-to-day communications of our head office be conducted in that language. It is of some interest and significance however that we have also found it necessary to provide services in other languages when required. We already operate in many different political jurisdictions across the world and even in Canada, our operations are subject to numerous authorities, both federal and provincial. As in the past, we will continue to conduct our affairs in accordance with local customs and regulations in every jurisdiction. What lies ahead for Quebec and indeed Canada is a matter of concern to all Canadians at this time, but we hope sincerely that the course of events will establish an environment conducive to a continuation of our operations as in the past. We have operated for 78 years as a good corporate citizen in Quebec, as indeed elsewhere in Canada, and intend to continue in this manner.



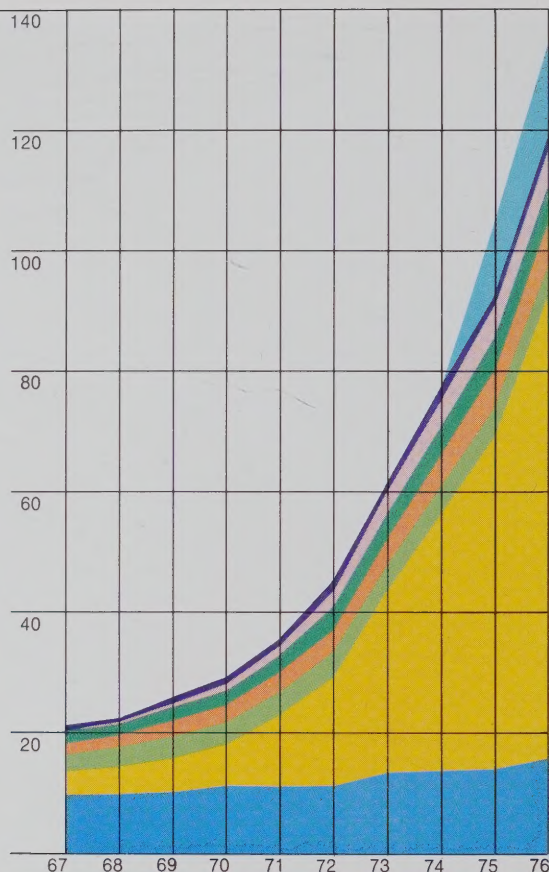
Fees and Commissions

(Millions of Dollars)

This chart illustrates a substantial growth in fees and commissions over the past decade as well as a marked change in the mix of such income.

Legend:

- Estates, Trusts and Agencies
- Real Estate Sales and Property Management
- Stock Transfer Agencies and Bond Trusteeships
- Pension Trust and Institutional Accounts
- Mortgage Administration
- Managed Funds (A, B, C and M)
- Miscellaneous
- Computer Services

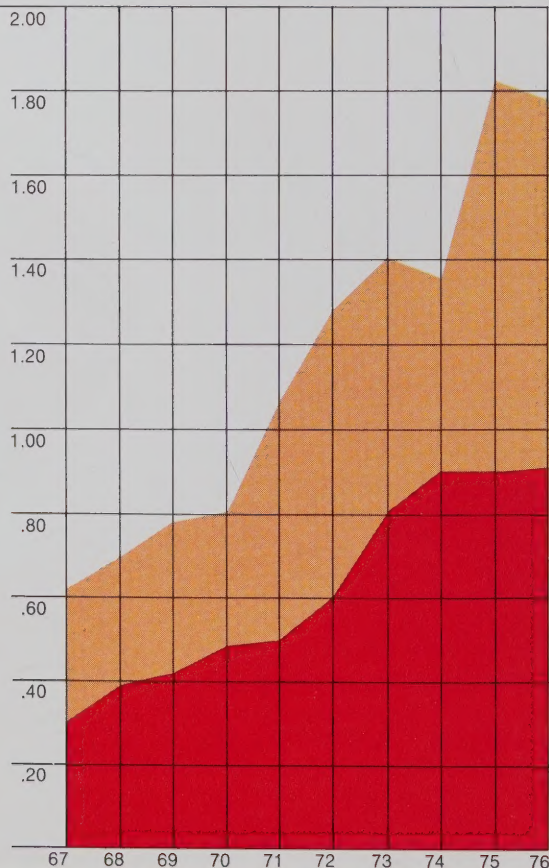


Net Operating Profit and Dividends per Share

Net operating profit per share has increased on a compound basis at the rate of 12½% annually. The recent relatively small increase in dividends reflects current restrictions imposed by the Anti-Inflation Program.

Legend:

- Dividends per share
- Net Operating Profit per share



The White Paper on proposed revisions to the Bank Act was released in August and as might have been anticipated most of its proposals will work to the benefit of the chartered banks generally and against those of all other deposit taking institutions in Canada. The proposal for maintenance of reserves with the Bank of Canada by deposit-taking institutions will lessen existing competition between the banks and other financial institutions. In our view this defeats the objective stated in the White Paper "to produce a banking and financial system as competitive as possible". Directly, and through the Trust Companies Association, we have lodged a rebuttal with the Department of Finance concerning the proposal for reserves and our stand appears to be shared by all other non-bank deposit-taking institutions. It is vital to us as a major source of competition to the deposit-taking functions of chartered banks that our position should not only be preserved but encouraged.

Many Canadian bankers have stated that the trust and mortgage loan industry has been infringing on the function of banking in recent years. In addition they have remarked in public, that because members of the trust industry are not required to maintain interest free reserves with the Bank of Canada, they have somehow escaped legislative controls. Nothing could be further from the truth and the general public should be properly informed of the facts.

The function of collecting and holding the savings of individual Canadians at interest in its broadest definition has not long been a traditional function and prime operation of chartered banks in Canada. Historically, it is a fact that the mortgage loan companies preceded the banks in accepting deposits at interest from individual Canadians by many years.

As to regulations, our industry is subject to a variety of different legislation. Generally, the legislation at both federal and provincial levels is much more restrictive than that which applies to Canadian chartered banks. In our opinion the liquidity requirements for trust companies as imposed by these government authorities are superior to the reserve requirements of chartered banks, since they are directly adapted to maturities of liabilities incurred by our companies.

The "Borrowers and Depositors Protection Act" now before the Canadian Parliament has also caused us concern. We have no quarrel with legislation intended to curb unscrupulous lending practices and requiring full and plain disclosure of all facts applicable to personal loans and deposits. However, in our opinion the right of partial repayment of mortgages at the end of the



Lois Betteridge, an Ottawa, Ontario silversmith, gently taps out a salt shaker from a sheet of sterling silver. Lois is using one of the oldest silver-smithing techniques known to man, "chasing and repoussé", which was used by early Romans.



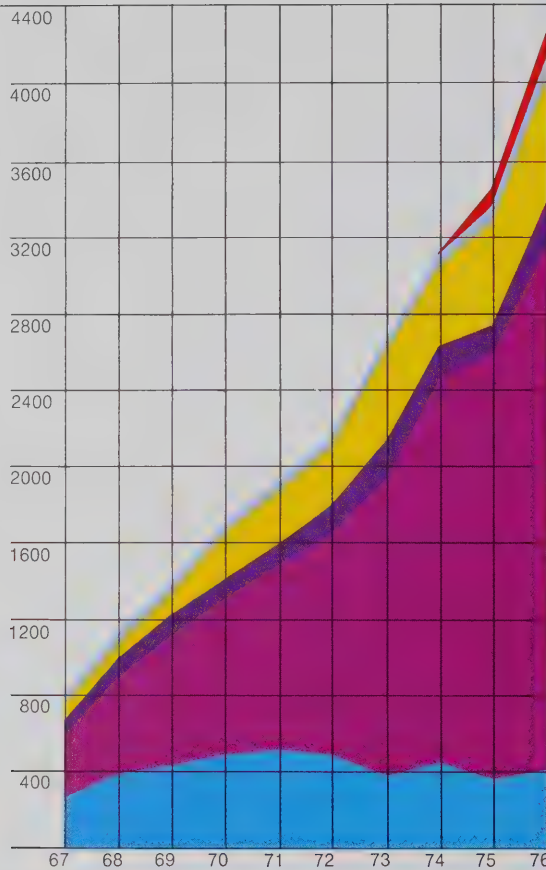
Stan Taniwa uses a Japanese kiln drying method for his ceramic creations in Neepawa, Manitoba. Combining the potter's use of clay, the painter's eye for colour and composition with the sculptor's tools of knife and chisel, the ceramist's craft is a truly complete art form.

Assets

(Millions of Dollars)

Growth of assets has been at an annual rate of 20% compounded. In addition to balance sheet assets of \$4.3 billion, in its fiduciary capacity the Company administers some \$12.5 billion of assets for Estates, Trusts and Agency accounts.

- Securities
- Mortgages
- Loans
- Cash, Bank Deposits, etc.
- Other Assets
- Equipment Leases



Managed Investment Funds

(Market Value) (Millions of Dollars)

The chart illustrates a record for these funds which now exceed a half billion dollars in total. Royal Trust offers to the public participation in four investment funds: A – for American securities; B – for bonds; C – for Canadian securities and M – for mortgages. Currently there are some 72,000 participants in these funds, many of whom are on a monthly subscription plan.

- A Fund
- B Fund
- C Fund
- M Fund



first and second years and repayment in full at the end of three years poses a serious threat to the well-established residential mortgage market in Canada. We also note that the proposed legislation seeks to standardize conditions relating to deposits, ignoring preferences of depositors for frequency of interest payments tailored to their individual needs.



Martin Demaine, a Keswick, New Brunswick, glassblower winds a thick strand of raw materials onto his blow pipe. Glassblowers shape molten glass using air and fire to give form and substance to their creations.

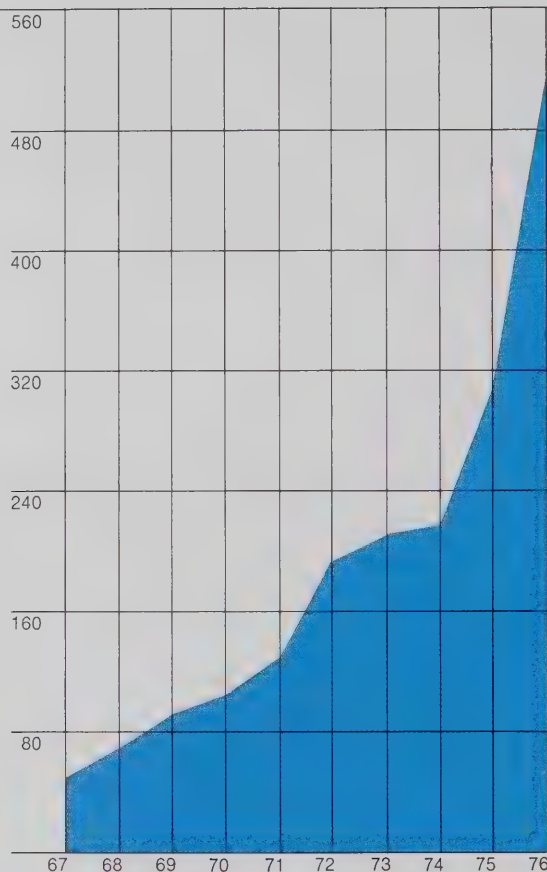
Neil Liske applies finishing touches to a stoneware pot in his Calgary, Alberta, studio. Pottery was man's first attempt to marry art and function and many techniques were already old when Phoenician sailors opened the Mediterranean for trade.



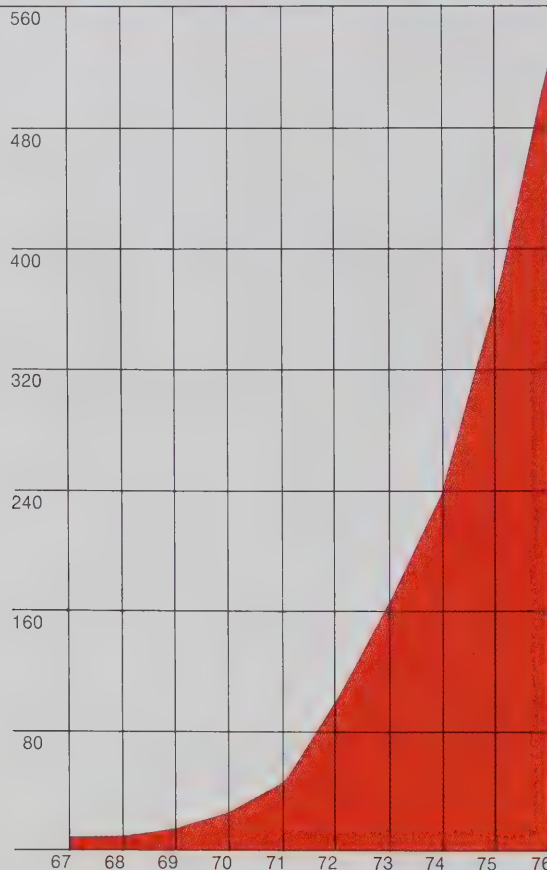
Directors and Staff were saddened by the death on April 26, 1976 of Ross Clarkson, whose association with Royal Trust spanned a period of 60 years. During his career he held a wide variety of positions in the Company, becoming President in 1950 and Chairman in 1955 until his appointment as an Honorary Director in 1963. Widely referred to as "Mr. Royal Trust", he made an outstanding contribution to the progress of the Company.

The Honourable George C. Marler, a Director since 1966 and a member of the Executive Committee of the Board since 1974, having reached the mandatory retirement age, will not be standing for re-election. His wise counsel has been a tremendous asset to the Company. We are pleased that Mr. Marler has agreed to continue to serve us by accepting the post of Honorary Director.

Savings and Chequing Accounts
(Millions of Dollars)
The Company maintains approximately 280,000 accounts from over 100 different locations for depositors in Canada in addition to 55,000 depositors in Florida.



Tax Benefit Plans
(Millions of Dollars)
Royal Trust offers several distinct Registered Retirement Savings and Registered Home Ownership Plans to Canadian taxpayers. Total participants in these tax sheltered savings plans now number some 124,000.



In Canada, a number of changes have taken place among members of our Advisory Boards. The following have resigned: – Hamilton – William I. Drynan; Thunder Bay – E. Lorne Goodall; St. Catharines – George E. Irvine; Vancouver – Howard T. Mitchell; Victoria – Ernest W. Arnott and Hubert A. Wallace. We are most grateful to these gentlemen for their assistance and counsel over the years.

A new Advisory Board was established in Trois-Rivières, Quebec, and the following were appointed members: – General Jean Victor Allard, Pierre Leblanc and Pierre Lajoie.

The following appointments were made: – Ottawa – Lieutenant General Frank J. Fleury; Victoria – David Angus and S. Joseph Cunliffe; St. Catharines – James R. Brown, formerly a member of our Ottawa Advisory Board.

In Florida, Herbert A. Levin joined the Board of Royal Trust Bank of Miami and we were pleased to welcome to the Royal Trust group the boards of Dale Mabry State Bank (now Royal Trust Bank of Tampa), First Bank of Gulfport (now Royal Trust Bank of St. Petersburg) and Worth Avenue National Bank in Palm Beach (Royal Trust Bank of Palm Beach), the members of which are listed in this report.

Overseas, Edward R. W. Gawne and James W. W. Hyde joined the board of our new subsidiary, The Royal Trust Company (Isle of Man).

Senior appointments among Executive Officers of the Company were: – John M. Scholes as an Executive Vice-President; Ewart A. Wickens as a Group Vice-President; and John C. Macfarlane, John H. Matthews and Richard A. Pallot as Vice-Presidents. John F. Close, who held a number of senior positions during his career, retired from the Company, after 34 years service.

Prospects for 1977 at Royal Trust are difficult to assess in an economic environment for Canada, which has been described as being "in a period of lacklustre recovery". This particular quotation was made before the recent Quebec election. The reasons for such a cautious comment are perhaps summed up in the fact that the recovery in Canada from the recent recessionary phase has been largely attributable to the earlier, more advanced, and powerful recovery from recession of our neighbour, the United States of America.

Also, any recovery that is largely export oriented and lacking a firm domestic base, and this is clearly the case in Canada, must be viewed with caution. There are, however, some positive factors. A decline in the rate of inflation in Canada, which is expected, will be beneficial to



Mimi Dupuis applies glaze to a copper plate in her Sherbrooke, Quebec studio. Her designs combine with fire and metal to create the magic of copper enamel.

the economy generally and clearly reflected in our Company's results. The recent decline in interest rates at all levels should also have a positive impact on interest spreads in our money operations as well as to provide impetus to lagging real estate sales across Canada. One should expect that with an increase in our total assets of over \$800 million the Company's business will benefit from this substantially larger base in 1977. It is too early to assess or measure the effect of the Parti Quebecois victory and its commitment to separate Quebec from the rest of Canada. It may be a matter of months before some of the results of this election become clear and capable of judgment. However, it would be an understatement to say that it has not produced a negative factor in the Canadian economic equation and has caused much uneasiness in the United States and abroad concerning the political future of Canada and Quebec.

On a more reassuring note, the strength through the years of Royal Trust has been a direct reflection of the skills and loyalty of its staff. They now number nearly 8,000 and we feel confident that through their efforts the Company will tackle successfully the problems ahead and establish another creditable result for the current year. On behalf of the Board of Directors and Shareholders we extend our sincere appreciation to each and every member of the staff for their efforts in the most difficult year just completed.

C. F. Harrington.

Conrad F. Harrington
Chairman of the Board

K. A. White

Kenneth A. White
President and Chief Executive Officer

Montreal, Canada, January 27, 1977

International Operations

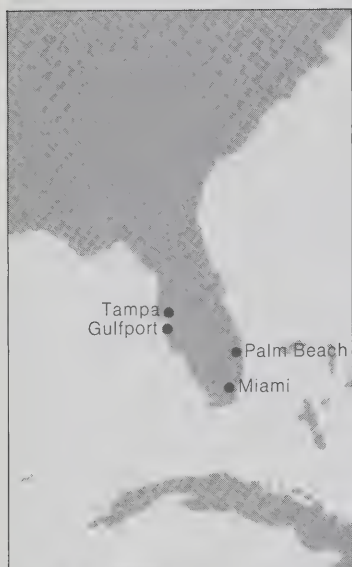
Florida

The Company's operations started in the U.S.A. in Florida in 1972, with the acquisition of the Inter National Bank of Miami, now Royal Trust Bank of Miami.

Since then the Company has expanded its Florida operations to Tampa, St. Petersburg and Palm Beach areas and through our expansion programme, we expect to be in several other communities over the next few years.

Our operations in Florida, with a staff of 284, are directed by Royal Trust Bank Corp., located in the Royal Trust Tower in Miami.

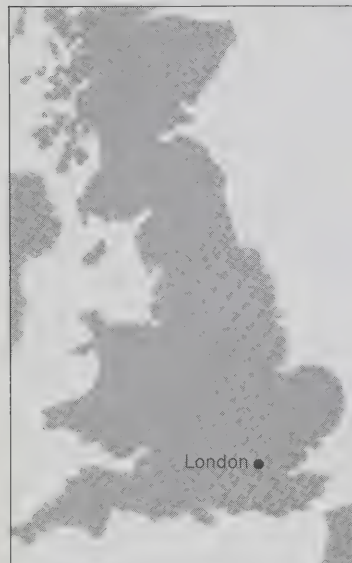
In Florida we provide complete banking and trust facilities to residents of that State as well as to non-residents, particularly Canadians and Latin Americans.



England

With a staff of 110, we offer a full range of trust services as well as an active money operation. Our overseas operations are co-ordinated through our London based subsidiary, the Royal Trust Company of Canada. This office commenced as an agency of the parent Company and then expanded to a full service branch in 1929.

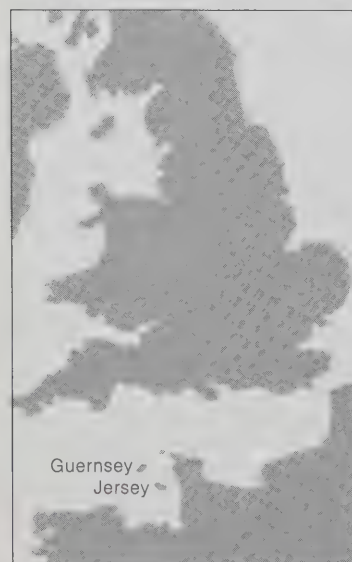
Over the years this office has provided services not only to residents of the U.K., but also to Canadians and other nationalities with financial interests in that part of the world.



Channel Islands

After 30 years of full scale operations from London, we started an expansion programme with the establishment of The Royal Trust Company of Canada (C.I.) in St. Helier, Jersey. Subsequently a sister subsidiary was established in neighbouring Guernsey.

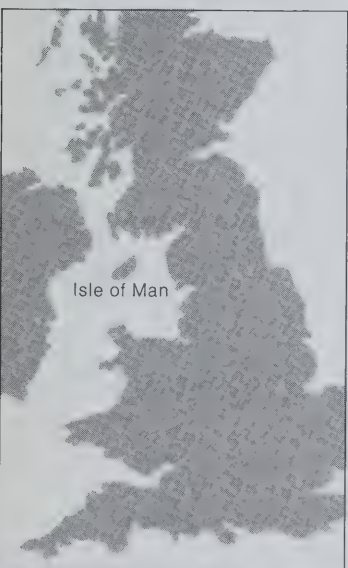
In 1973 the Jersey office extended its facilities to Europe with the establishment of the International Royal Trust Company A.G. in Vaduz, Liechtenstein. These combined operations have a staff of some 60 employees and provide complete trust and deposit taking facilities, particularly in the management of non-resident trusts, as well as an international tax planning service.





Ireland

The Company opened for business in Dublin, in 1966 as The Royal Trust Company (Ireland) Limited. With a staff of some 30 employees, it conducts trust investment management and deposit taking operations in the Republic of Ireland.

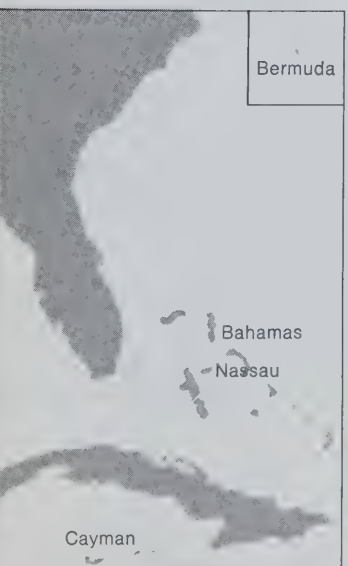


Isle of Man

Our most recent expansion overseas was the founding of a subsidiary The Royal Trust Company (Isle of Man) in Douglas.

The intention is to offer services similar to those provided by our Channel Island operations, but catering to a different market.

You will note from the map that the Isle of Man is situated in the Irish Sea between England and Ireland. Although having allegiance to the British Crown, its Government is independent from the United Kingdom.



Affiliates

Complete trust services are offered through our affiliates located in the Bahamas, Cayman Islands and Bermuda.

The names of these affiliates are listed under Associated Companies further on in this report.

Financial Review

The net operating profit for 1976 of \$19.6 million represents a modest increase, \$665,000 or 3.5%, over the operating results for 1975. However, after investment gains and losses plus extraordinary items, the final net profit for the year resulted in an increase of \$1.4 million or 8%.

The results above represent net operating profit per share of \$1.78 (1975 — \$1.83) and net profit per share of \$1.74 (1975 — \$1.71). These earnings reflect a dilution, estimated at 6 cents per share, resulting from acquisition of United Trust and Florida banks.

These results are less than had been anticipated by the end of the third quarter of 1976, and indicate a tapering off from the higher earnings reported in earlier quarterly reports. It is appropriate then to comment on a comparison of results for the third and fourth quarters before proceeding with remarks for the year generally.

The "Quarterly Analysis of Operating Results", included in this report on page 30, indicates an increase in the fourth quarter for income, net of interest and real estate sales commissions paid, of \$2.4 million. This increase was more than off-set by additional operating expenses of \$5.5 million, resulting in a net decline for the fourth quarter in operating profit before taxes of \$3.1 million. With the exception of commissions from real estate sales, there was general growth in income during the quarter. Although real estate markets softened in the latter part of 1976, the decline in real estate sales commissions was more symbolic of the seasonal nature of such operations, as indicated by reference to quarterly results in preceding years. Part of the explanation for increased expenditures in the fourth quarter relates to the acquisition of United Trust, whose operations were included for a portion of the third quarter and completely for the fourth. In addition, legal, accounting and other costs associated with this and other acquisitions have been recorded mainly in the fourth quarter.

For the year as a whole a record income of \$504 million represents an increase of \$92 million, or 22%. This increase included \$29 million additional fees and commissions, an increase of 28%, and \$63 million for investment income, an increase of 20%.

Major increases in the real estate and mortgage areas reflected a record housing market in Canada. Commissions on real estate sales increased by 39% and income earned from administration of mortgages and real estate appraisal services increased by 17%. Other significant increases for fee income were; stock transfer agencies — 19%, management of investment funds — 15% and computer services — 21%. We are particularly pleased with the increase in

income from estates, trusts and agencies of 12%, where growth had slackened in previous years. Fees for management and custodian of pension funds also increased by 12%. The increase in the "Miscellaneous" category of income by 44%, reflects the consolidation of income from real estate investment properties of Douglas Leaseholds, a subsidiary of United Trust. The only noteworthy decline in fee income was commissions earned on the sale of Canada Savings Bonds, where the recent issue by the Government was relatively unattractive causing a decline in purchases for the second successive year.

In the Company's consolidated money operations, which include the Guaranteed Account of the parent company as well as our other financial intermediary operations in subsidiaries in Canada, U.S.A. and Overseas, net revenues (investment income less interest paid) increased by \$8.5 million, or 16% — somewhat less than the growth of \$9.4 million, or 22% for 1975. Although results varied for each specific area of our money operations, the overall increase for 1976 was attributable mainly to growth in deposits and borrowings. The previous year's consolidated operations benefited from improved interest spreads as well as additional volume.

Net revenues from the Guaranteed Account, which represent 85% of the Company's money operations, increased by 17% which was somewhat less than the total percentage growth of the account. The slightly smaller spreads we experienced reflected increased competitive conditions in the Canadian financial markets resulting in part from the relatively restrictive money policy of the Bank of Canada, which prevailed throughout most of the year.

The interest spreads of our subsidiary, The Royal Trust Company Mortgage Corporation, were enhanced by two successful Canadian dollar European debenture issues, both at significantly lower rates than those available in Canada at time of issue. A decline in short term rates was also a contributing factor to a growth in net revenues of this subsidiary of 26%. Builders Financial, another Canadian money operation, showed a slight decline in revenues due to a continuation of the slowdown in Canada of commercial and industrial construction.

Internationally, our money operations were very rewarding in 1976 as our Florida operations showed increases in assets of \$93 million or 120%, partly through acquisitions, but also through significant growth in established opera-

tions. Money operations in the United States benefited from more accommodating federal reserve policies. Net revenues grew by 57%. Our Overseas operations achieved satisfactory results in spite of the Bank of England raising the bank rate to an all-time high of 15% in defence of the Pound Sterling.

Excluding interest and real estate sales commissions paid, both of which directly relate to our volume of income, total operating expenses increased by 28%. Major increases were: salaries and staff benefits – 27%; premises expense – 38%; audit, legal and other professional fees – 78%; advertising – 42%; telephones, telex and postage – 38%; stationery and office supplies – 30%. Half of the increase in salary costs are attributable to additional staff, chiefly resulting from corporate acquisitions in Canada and Florida, and the other half represents additional compensation to staff. Many other increases in operating expenses are attributable to our acquisition activities during 1976 in addition to our normal branch expansion programme.

We are still in the process of consolidating United Trust's operations into our branch system which, when completed within a few months, will result in significant reductions in operating costs. However, it is a fact that our operating expenses, exclusive of one-time, non-recurring charges, have reached a new plateau relative to revenues, a matter of great concern to management. The unit cost of supplies and services to us, as with service industries generally, has continued to increase substantially, although the consumer price index has recently declined. Our cost structure is currently under scrutiny to determine what additional controls must be applied to expenditures in the current year to restore the Company's profitability to a more acceptable level.

Net losses on investments of \$110,000 (1975 – \$1,270,000) consists of losses on mortgages of \$793,000 (1975 – \$1,140,000) and collateral loans of \$610,000 (1975 – \$798,000) less net gains on sale of securities of \$1,293,000 (1975 – \$668,000).

The foreign exchange adjustment for \$1,135,000 (1975 – \$877,000), represents a net write-down of the Company's investment in its foreign subsidiaries chiefly as a result of the drastic devaluation of the Pound Sterling from \$2.05 at December 31, 1975 to \$1.72 at the end of 1976.

Our effective corporate tax rate for 1976 was 42% compared with 45% for 1975. The lower rate is a combination of three factors: an annual reduction of 1% in the basic Canadian rate, elimination of Canadian surtax which applied for four months of 1975 and a larger portion of income from our U.S. operations, which are

subject to lower rates than those applicable to our Canadian operations. It should be noted that 1976 is the last scheduled year of four successive reductions in the basic Canadian tax rate by 1%.

Total dividend payments of \$9.9 million was based on a rate of 91½ cents per share. Under the Anti-Inflation Program, the rate was frozen until late in the year when restrictions were modified to permit an 8% increase annually. Consequently, the quarterly rate of 22½ cents per share, which applied for the first three quarterly payments was increased to 24 cents for the final payment.

The increase in total assets by \$831 million, or 24%, as indicated by the balance sheet, represents a record growth for the Company. Of this amount, approximately \$300 million is through acquisitions, and \$500 million from our Canadian money operation. The major increase in an individual category of asset was from mortgages, which increased by \$522 million, or 23%. Total disbursements for mortgages on behalf of our money operations and trust clients amounted to \$827 million and at the year-end, mortgages under administration, as illustrated by the chart on page 18, exceeded \$4.2 billion.

The increase in receivables under equipment leases by \$58 million, or 71%, reflects additional financing of railway rolling stock and ships for crown corporations, or affiliates of such corporations. As noted in the "Report to Shareholders", future participations in such investments will be restricted by recent amendments to the Income Tax Act.

All other investments increased by over \$200 million, or 19%, a reflection generally of the increase in size of our Canadian money operations. The increases in "properties" is related mostly to assets of United Trust.

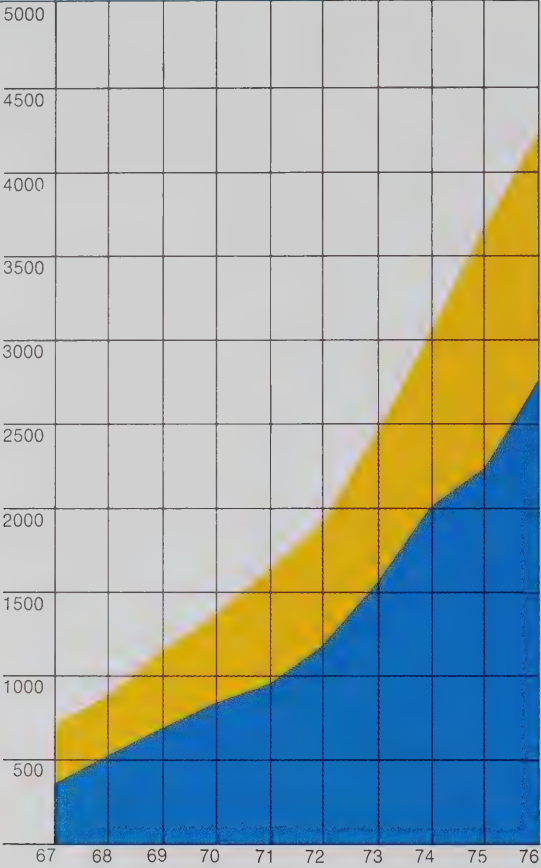
The increase in "Excess of cost of investment in subsidiaries over acquired equity in net assets" (commonly referred to as "goodwill") by \$17.5 million resulted from the acquisition of United Trust and Florida banks. Details of this item are outlined in Note 2 to the balance sheet.

The substantial increase in Shareholders' Equity by about \$39.5 million was made up as follows: value of shares issued in exchange for acquisitions – \$29.8 million; shares subscribed under employees stock option plan – \$½ million; and net of earnings less dividends paid – \$9.2 million.

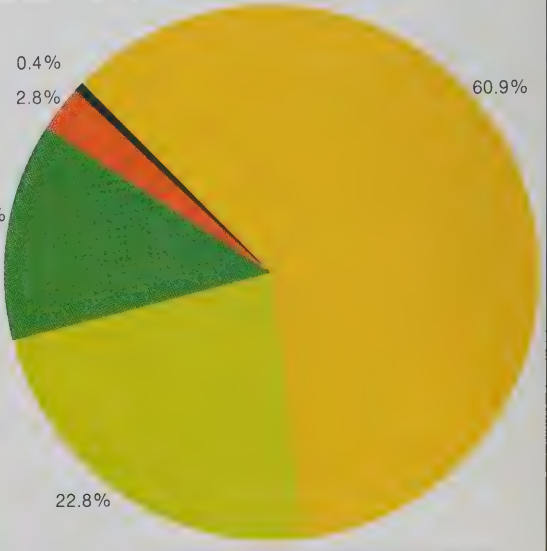
Mortgages under administration as at December 31, 1976

Ten Year Growth
(Millions of Dollars)
Own and Guaranteed Account
Pension and Other Trust Clients

In 1976, the Company disbursements for mortgages amounted to \$827 million of which 93% was directed to residential accommodations. Included in the \$4.2 billion of mortgages under administration are some 130,000 individual properties.

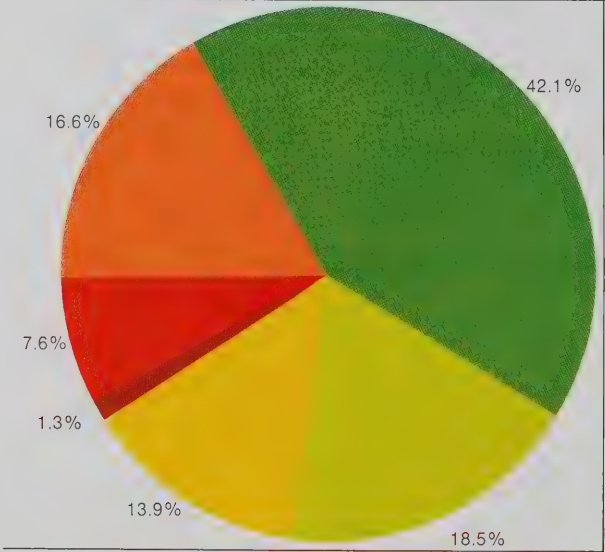


Type of Collateral
House Loans
Other Residential
Commercial
Industrial
Others



Geographical Distribution

- Maritimes
- Quebec
- Ontario
- Prairie Provinces
- B.C.
- Elsewhere



Maturities of Investments

	(Dollars in thousands)						
	Cash, Bank Deposit Receipts and Treasury Bills	Secured Loans, and Advances to Clients	Securities	Receivables under Equipment Leases	Mortgages	Total	
December 31, 1976							
Due within 1 year	\$607,108	\$204,733	\$271,697	\$ 5,903	\$ 375,083	\$1,464,524	35.2%
1 to 5 years	21,428	25,938	65,558	26,710	2,210,679	2,350,313	56.4
6 to 10 years		2,416	10,622	42,626	148,496	204,160	4.9
11 to 15 years		76	9,826	55,221	8,998	74,121	1.8
16 to 20 years			3,678	7,921	4,367	15,966	0.4
Beyond 20 years			857		13,510	14,367	0.3
Preferred and Common Shares			41,684			41,684	1.0
	\$628,536	\$233,163	\$403,922	\$138,381	\$2,761,133	\$4,165,135	100.0%
December 31, 1975							
Due within 1 year	\$538,669	\$128,538	\$176,482	\$ 3,990	\$ 259,888	\$1,107,567	32.8%
1 to 5 years	16,625	14,321	123,583	16,567	1,865,965	2,037,061	60.3
6 to 10 years		959	6,180	24,010	91,688	122,837	3.6
11 to 15 years			4,871	34,590	6,377	45,838	1.4
16 to 20 years			1,412	656	1,835	3,903	0.1
Beyond 20 years			862	1,007	13,364	15,233	0.4
Preferred and Common Shares			46,830			46,830	1.4
	\$555,294	\$143,818	\$360,220	\$ 80,820	\$2,239,117	\$3,379,269	100.0%

Securities

	(Dollars in thousands)			
	1976		1975	
	Cost	Market	Cost	Market
Bonds of, or guaranteed by governments of Canada, U.S.A. and U.K.	\$ 67,351	\$ 69,404	\$ 61,916	\$ 61,988
Bonds of, or guaranteed by other governments	130,140	129,065	84,900	83,863
Obligations of corporations	164,747	167,206	171,546	172,954
Preferred shares	20,603	17,120	19,763	17,498
Common shares	21,081	20,079	22,095	21,211
	\$403,922	\$402,874	\$360,220	\$357,514

Maturities of Deposits and Borrowings

	(Dollars in thousands)					
	Deposit Certificates	Savings and Chequing Accounts	Short Term Notes	Debentures	Total	
December 31, 1976						
On demand and due within 1 year	\$ 812,722	\$512,911	\$117,821	\$ 9,287	\$1,452,741	36.0%
1 to 5 years	2,302,382	103	19,950	105,500	2,427,935	60.2
6 to 10 years	414			52,515	52,929	1.3
11 to 15 years	19			71,284	71,303	1.8
16 to 20 years	35			29,100	29,135	0.7
21 to 25 years	455				455	—
	\$3,116,027	\$513,014	\$137,771	\$267,686	\$4,034,498	100.0%
December 31, 1975						
On demand and due within 1 year	\$1,081,269	\$308,694	\$105,650	\$ 13,915	\$1,509,528	46.4%
1 to 5 years	1,555,327	316	13,600	59,917	1,629,160	50.1
6 to 10 years				81,051	81,051	2.5
11 to 15 years	6			24,388	24,394	0.8
16 to 20 years	27			6,635	6,662	0.2
21 to 25 years	197				197	—
	\$2,636,826	\$309,010	\$119,250	\$185,906	\$3,250,992	100.0%

Consolidated Balance Sheet

Assets			
as at December 31		1976	1975
Investments (including assets held in trust for Guaranteed Account – Note 3)	Cash, bank deposit receipts and treasury bills	\$ 628,536,000	\$ 555,294,000
	Secured loans, and advances to clients	233,163,000	143,818,000
	Securities – at cost (Market 1976, \$402,874,000 1975, \$357,514,000)	403,922,000	360,220,000
	Receivables under equipment leases, net of unearned income (Note 4)	138,381,000	80,820,000
	Mortgages	2,761,133,000	2,239,117,000
		\$4,165,135,000	\$3,379,269,000
Other Assets	Accounts receivable	\$ 10,698,000	\$ 8,943,000
	Properties at cost less accumulated depreciation and amortization		
	Premises, equipment and leasehold improvements	50,684,000	37,841,000
	Investment properties	12,679,000	—
	Unamortized debenture and note discount and underwriting commissions	2,813,000	1,993,000
	Investment in affiliates	5,655,000	5,906,000
	Excess of cost of investment in subsidiaries over acquired equity in net assets	19,223,000	1,757,000
		\$ 101,752,000	\$ 56,440,000
		\$4,266,887,000	\$3,435,709,000
Signed on behalf of the Board			
Conrad F. Harrington			
Kenneth A. White			
Directors			

Liabilities and Shareholders' Equity			
as at December 31		1976	1975
Deposits and Borrowings	Deposit certificates	\$3,116,027,000	\$2,636,826,000
(including deposits accepted for Guaranteed Account – Trust	Savings and chequing accounts	513,014,000	309,010,000
Funds for investment – Note 3)	Short term notes	137,771,000	119,250,000
	Debentures (Note 4)	267,686,000	185,906,000
		\$4,034,498,000	\$3,250,992,000
Other Liabilities	Income taxes payable (recoverable)	\$ (3,850,000)	\$ 13,619,000
	Miscellaneous liabilities	11,409,000	6,982,000
	Mortgages payable (Note 5)	24,188,000	18,277,000
		\$ 31,747,000	\$ 38,878,000
Deferred Income Taxes		\$ 38,764,000	\$ 25,081,000
Minority Interest	Preferred shares	\$ 5,499,000	\$ 5,499,000
in Subsidiary Companies	Common shares and equity	4,983,000	3,352,000
		\$ 10,482,000	\$ 8,851,000
Shareholders' Equity	Capital stock (Notes 6 and 8)		
	Authorized – 20,000,000 A and B interconvertible shares of \$0.50 par value		
	Issued and fully paid – 11,929,157 shares consisting of 11,118,978 A shares and 810,179 B shares (10,394,903 total shares in 1975)	\$ 5,965,000	\$ 5,197,000
	Contributed surplus	83,589,000	54,048,000
	Retained earnings	61,842,000	52,662,000
		\$ 151,396,000	\$ 111,907,000
		\$4,266,887,000	\$3,435,709,000

Clarkson, Gordon & Co.
Chartered Accountants

Auditors' Report

To the Shareholders
of The Royal Trust Company

We have examined the consolidated balance sheet of The Royal Trust Company as at December 31, 1976 and the consolidated statements of profit and loss, retained earnings and contributed surplus accounts for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us,

and as shown by the books of the company, these consolidated financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The 1975 comparative figures are based on consolidated financial statements which were examined by other Chartered Accountants.

Clarkson, Gordon & Co.

Chartered Accountants

Montreal, Canada
January 27, 1977

Consolidated Statement of Profit and Loss

	for the year ended December 31	1976	1975
Income	<i>Fees and commissions from</i>		
	Estates, trusts and agencies	\$ 15,685,000	\$ 13,979,000
	Real estate sales and property management	76,871,000	55,501,000
	Stock transfer agencies and bond trusteeships	5,325,000	4,645,000
	Pension trusts and institutional accounts	6,809,000	6,064,000
	Mortgage administration	6,134,000	5,263,000
	Managed investment funds	6,156,000	5,349,000
	Computer services	15,314,000	12,672,000
	Miscellaneous	1,901,000	1,316,000
		\$134,195,000	\$104,789,000
	<i>Investment income from</i>		
	Mortgages	\$248,866,000	\$204,112,000
	Securities and equipment leases	38,837,000	38,895,000
	Collateral loans	15,575,000	11,714,000
	Short term deposits	66,546,000	52,419,000
		\$369,824,000	\$307,140,000
		\$504,019,000	\$411,929,000
Expenses	Interest paid	\$308,755,000	\$254,635,000
	Salaries, pension contributions and other staff benefits	57,704,000	45,443,000
	Commissions to real estate agents and salesmen	51,174,000	36,714,000
	Premises expense (net after rental income)	11,401,000	8,241,000
	Computer and office equipment expense	11,646,000	10,318,000
	Amortization of goodwill	472,000	276,000
	Advertising	7,995,000	5,622,000
	Other expenses	19,867,000	15,106,000
		\$469,014,000	\$376,355,000
	Profit before income taxes	\$ 35,005,000	\$ 35,574,000
	Income taxes – current	\$ 277,000	17,091,000
	– deferred	14,441,000	(1,068,000)
		14,718,000	
	Net profit before interest of minority shareholders	\$ 20,287,000	\$ 19,551,000
	Minority interest	677,000	606,000
Net Operating Profit	(per share 1976 – \$1.78, 1975 – \$1.83) *	\$ 19,610,000	\$ 18,945,000
	<i>Other additions (deductions)</i>		
	Net gains (losses) on investments including provision for losses	(110,000)	(1,270,000)
	Foreign exchange adjustment	(1,135,000)	(877,000)
	Gain on disposal of premises	189,000	205,000
	Income tax reductions applicable to above items	574,000	702,000
Net Profit	(per share 1976 – \$1.74, 1975 – \$1.71) *	\$ 19,128,000	\$ 17,705,000

*Earnings per share are based upon weighted monthly average shares outstanding: 10,996,000 for 1976 and 10,365,000 for 1975.

Consolidated Statements of Retained Earnings and Contributed Surplus Accounts

	for the year ended December 31	1976	1975
Retained Earnings Account	Balance January 1	\$ 52,662,000	\$ 44,285,000
	Net profit for the year	19,128,000	17,705,000
		\$ 71,790,000	\$ 61,990,000
	Deduct: Dividends paid (Note 8)	9,948,000	9,328,000
	Balance December 31	\$ 61,842,000	\$ 52,662,000
Contributed Surplus Account	Balance January 1	\$ 54,048,000	\$ 53,031,000
	Premium on issue of shares	29,541,000	1,017,000
	Balance December 31	\$ 83,589,000	\$ 54,048,000

1. Accounting Policies

(i) Principles of consolidation

All subsidiary companies are included in the consolidated financial statements with the exception of BM-RT Ltd. which is 50.1% owned by the Company and is referred to below under investment in affiliates.

The principal subsidiaries are Royal Trustco Limited, Royal Trust Corporation of Canada, The Royal Trust Company of Canada (a U.K. Corporation), The Royal Trust Company of Canada (C.I.) Ltd. (located in Jersey, the Channel Islands), The Royal Trust Company (Guernsey) Limited, The Royal Trust Company (Ireland) Limited, The Royal Trust Company (Isle of Man), Royal Trust Bank Corp. and other subsidiaries in Florida, The Royal Trust Company (Ontario) (formerly United Trust Company), The Royal Trust Company Mortgage Corporation, Computel Systems Ltd., The Bankers' Trust Company, Royal Agencies Ltd., Builders Financial Co. Limited, Place D'Armes Realty Co. Ltd., Doreal Investments Ltd. and The Royal Trust Company (International) Ltd.

(ii) Excess of cost of investment in subsidiaries over acquired equity in net assets

The excess of cost of investment in subsidiaries over the acquired equity in their net assets is being amortized, at present over 20 years.

(iii) Investment in affiliates

Investment in affiliates includes BM-RT Ltd. which is 50.1% owned by the Company. BM-RT Ltd. is adviser to the publicly held BM-RT Realty Investments, an open-end real estate trust. BM-RT Ltd. serves as the official conduit for funding the operations of the trust and as such its assets consist almost entirely of funds advanced to the trust from proceeds of the public issue of short term notes and debentures by BM-RT Ltd. The Company either directly or through its investment in BM-RT Ltd. is the owner of only 13.44% of the trust and the consolidation of the assets,

liabilities and operations of the adviser with those of the Company would not be appropriate. The Company's share of earnings of BM-RT Ltd. has been included in fees from managed investment funds in the Consolidated Statement of Profit and Loss.

Investments in other affiliates are recorded at cost and income is reflected in the Consolidated Statement of Profit and Loss when realized through dividends paid by these affiliates.

(iv) Foreign currencies

All amounts in foreign currency have been translated into Canadian dollars at the rates of exchange prevailing at the end of the year.

Adjustments arising on translation of currencies are included in the Consolidated Statement of Profit and Loss.

(v) Depreciation policies

Premises, equipment, leasehold improvements and investment properties are depreciated over their estimated useful lives, as follows:

On the straight-line method:

- Head office premises (carrying value of \$23,532,000) – over 75 years
- Leasehold improvements – over 5 years
- Investment properties – over 35 years

On the declining balance method:

- Equipment and other assets – at approximately 20% per year.

Gains or losses on disposal of fixed assets are recognized in earnings. Depreciation of premises, equipment and investment properties and amortization of leasehold improvements charged to operations amounted to \$5,021,000 in 1976 and \$3,956,000 in 1975.

(vi) Recognition of revenues and expenses

With the exception of fees for administration of estates, fees and commissions are recorded on an annual basis as earned. Estates administration fees are chargeable only upon the completion of preliminary administration and no provision is made in the Company's accounts for fees on work in progress. Investment income and interest expense are recorded on an accrual basis. Debt discount and underwriting commissions are amortized over the term of the issues.

(vii) Leasing transactions

The Company's leasing operations consist principally of the leasing of aircraft, railway rolling stock, data processing equipment and ships. The leases expire over a period of 3 to 18 years.

The equipment leasing transactions are reported in accordance with the financing method of accounting. Income is taken up over the term of the lease in decreasing amounts pro rata to the declining balance of the investment not yet recovered.

Any gains resulting from the residual values of leased assets are reflected in earnings only when realized.

(viii) Gains and losses on investments

Loans and mortgages are considered as delinquent when payments of principal or interest are in arrears for 60 days at which time legal collection procedures usually are commenced. Delinquencies are reviewed monthly and, if required, an appropriate provision is recorded in the Company's accounts for estimated losses.

Gains and losses on securities, based on average cost, are recorded only upon sale of such securities except when there is a default to pay either principal or interest, at which time a provision to cover estimated losses is recorded.

(ix) Income taxes

The Company follows the tax allocation method of accounting for income taxes. Under this method income taxes are calculated on the basis of reported profit rather than on profits currently taxable. The principal timing differences relate to the reserve for mortgages allowed under federal and provincial Income Tax Acts, to equipment leases and to the losses of a subsidiary to be applied in future years.

No provision is made for withholding taxes or Canadian taxes which would be exigible on dividends from foreign subsidiaries, if it is intended that the earnings of the subsidiaries will be reinvested.

2. Acquisition of Subsidiaries

During the year the Company made the following acquisitions, all accounted for by the purchase method:

1) On July 26, 1976 the Company acquired 68.0% of the common shares of United Trust Company, a trust company operating in Ontario and in several other provinces, and shortly thereafter made an offer for the remaining shares held by residents of Canada. By December 31, 1976 the Company had acquired 99.7% of the common shares. The total consideration was \$18,000 in cash and 1,214,884 A shares of the Company having a fair value of \$23,842,000.

In addition, on September 1, 1976 the Company purchased 25,000 and 60,000 Series A and Series B, respectively, \$20 par value United Trust Company preference shares for a total consideration of \$1,700,000 and United Trust Company subordinated notes in the amount of \$800,000, all at par for cash.

The name of this subsidiary was changed to The Royal Trust Company (Ontario), and the results of its operations have been included in the Consolidated Statement of Profit and Loss from August 1, 1976.

2) At various dates during the year the Company acquired all the common shares of the Dale

Mabry State Bank and 99.9% of the common shares of the First Bank of Gulfport (subsequently their names were changed to Royal Trust Bank of Tampa and Royal Trust Bank of St. Petersburg) and 93.0% of the common shares of the Worth Avenue National Bank, all operating in the State of Florida. The total consideration was \$2,784,000 in cash and 291,642 A shares of the Company having a fair value of \$5,983,000.

The results of operations of these subsidiaries have been included in the Consolidated Statement of Profit and Loss from the dates of their acquisition.

3) These transactions were recorded as follows:

	United Trust Company	Florida Banks
Total assets	\$292,498,000	\$ 60,272,000
Total liabilities	279,130,000	55,880,000
Net assets at fair value	\$ 13,368,000	\$ 4,392,000
Minority interest	(1,261,000)	(110,000)
Excess of cost of investment over acquired equity in net assets	13,453,000	4,485,000
Total consideration	\$ 25,560,000	\$ 8,767,000

3. Assets Held under Administration and Guaranteed Account – Trust Funds for Investment

Clients' accounts and guaranteed funds are kept separate from the Company's funds and are so earmarked in the books of the Company as to show the accounts to which they belong.

As at December 31 deposits include \$3,579,913,000 for 1976 and \$2,909,501,000 for 1975 accepted for Guaranteed Account. Assets segregated to secure these deposits are as follows:

	1976	1975
Cash, bank deposit receipts and treasury bills	\$ 535,893,000	\$ 469,259,000
Secured loans	171,481,000	108,132,000
Securities	306,139,000	284,785,000
Equipment leases	138,381,000	80,820,000
Mortgages	2,428,019,000	1,966,505,000
	<u>\$3,579,913,000</u>	<u>\$2,909,501,000</u>

4. Receivables under Equipment Leases

The Company has assumed the debt obligations of other parties involved in equipment lease financing. These obligations, amounting to \$93,202,000 as at December 31, 1976 (\$45,200,000 in 1975) are included in both Borrowings and Investments in the Consolidated Balance Sheet.

5. Mortgages Payable

The principal mortgage of \$18,057,000 bears interest at the rate of 6½ % and matures April 1994. Other mortgages bear rates of interest varying between 6% and 12% and mature between 1977 and 1994. Principal instalments due in 1977 amount to \$467,000.

6. Commitments and Contingencies

(i) Outstanding commitments as at December 31, 1976 for future advances to be secured by mortgages and for advances to be made on equipment leases are \$285,105,000 of which \$48,480,000 are for trust clients whose accounts are administered by the Company.

(ii) The Company has contractual obligations in respect of leases payable as follows:

	Total sums payable in period
Within 5 years	\$43,097,000
6 to 10 years	26,728,000
11 to 15 years	15,877,000
16 to 20 years	4,350,000
21 to 25 years	3,254,000
	<u>\$93,306,000</u>

\$12,766,000 of this amount relates to a partially owned subsidiary. Rents in 1976 were \$8,845,000.

(iii) The Company is Trustee and Manager of Royal Trust M Fund the purpose of which is the investment of the Fund's assets in first mortgages on properties in Canada. It is anticipated that there will be ample cash and marketable securities available to cover the withdrawal by participants in the fund from time to time. However, should the withdrawals exceed the cash and marketable securities then available, the Company has guaranteed to find a purchaser for such number of the mortgages held by the fund at a price not less than 95% of the value thereof as will realize sufficient funds to enable such withdrawals to be made.

As at December 31, 1976, total assets of Royal Trust M Fund aggregated \$404,554,000 including \$43,953,000 in bank deposits and interest receivable and \$360,601,000 of mortgages.

(iv) The Company is in the process of acquiring two additional banks in the State of Florida. The agreements involve the issuance of shares or the payment of cash; the exact number of shares or amount of cash will be determined when the agreements are consummated. It is estimated that the total consideration for the two banks will not exceed a fair value of \$6,000,000.

(v) On July 2, 1976 an action was instituted in the Supreme Court of Ontario against the Company claiming damages in the amount of \$15,000,000 for breach of an alleged contract. The Company denies any liability and is defending this action.

(vi) On December 21, 1976 the Company declared a dividend for the first quarter of 1977 of 24¢ per each A share and 20.4¢ per each B share to be paid on February 10, 1977 to shareholders of record January 24, 1977.

7. Anti-Inflation Act (Canada)

The Company is subject to the regulations of the Anti-Inflation Act (Canada), which imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders. Under present regulations dividends on the Company's shares during the year ending October 13, 1977 may not exceed 97.2¢ per share.

8. Capital Stock

(i) The Company's authorized capital of 20,000,000 common shares is designated as A shares and B shares for an aggregate of 20,000,000 shares. A and B shares are interconvertible and rank *pari passu* in all respects except as to dividends. Dividends paid on A shares are taxable dividends under federal and provincial Income Tax Acts. The directors may declare dividends on B shares payable from tax-paid undistributed surplus on hand. The amount paid per share is equivalent to that paid on A shares after

deducting the 15% tax paid by the Company to create tax-paid undistributed surplus on hand as defined in the Income Tax Act (Canada). As at December 31, 1976, the Company had on hand approximately \$16,832,000 of retained earnings which will be available for future payment of tax-paid dividends after payment of a 15% tax by the Company.

The 15% tax related to B share dividends is included in dividends paid in the Consolidated Statement of Retained Earnings.

(ii) 27,728 fully paid shares were issued during 1976 under an employees' stock option plan for a total consideration of \$481,900. Under this plan, employees are entitled to purchase specified amounts of the Company's shares annually for 5 years at 10% less than market price at the time of the granting of the options. The following options have been granted but not exercised; 39,186 shares of \$25.20 each, 18,290 shares at \$18.45 each, 27,947 shares at \$17.88 each and 45,937 shares at \$16.09 each.

As at December 31, 1976, 99,726 unissued shares are reserved under the plan for issue prior to November 1, 1978.

(iii) 1,506,526 fully paid shares of the Company were issued during 1976 as partial consideration for the acquisitions of subsidiaries referred to in note 2.

9. Remuneration of Directors and Senior Officers

For the year ended December 31, 1976 the aggregate direct remuneration paid or payable by the Company to Directors and Senior Officers was \$1,702,000 and the estimated aggregate cost for the year of all pension benefits proposed to be paid to Senior Officers in the event of retirement at normal retirement age was \$116,000.

Ten-Year Review

Year-End Position

		(Dollars in thousands)	
		1967	1968
Assets	Cash, bank deposit receipts and treasury bills	\$ 94,916	\$ 96,577
	Secured loans, and advances to clients	58,445	82,877
	Securities	247,530	384,735
	Receivables under equipment leases	—	—
	Mortgages	346,146	510,395
	Premises, equipment and leasehold improvements	37,150	35,364
	Other assets	5,401	10,224
		\$ 789,588	\$1,120,172
Deposits and Borrowings	Deposit certificates	\$ 560,090	\$ 789,473
	Savings and chequing accounts	49,855	69,649
	Short term notes and debentures	98,467	158,590
		\$ 708,412	\$1,017,712
Other Liabilities, Deferred Income Taxes and Minority Interest	Other liabilities	\$ 36,138	\$ 38,945
	Deferred income taxes	2,881	4,774
	Minority interest	5,000	5,001
		\$ 44,019	\$ 48,720
Shareholders' Equity		\$ 37,157	\$ 53,740
Total Assets Under Administration (in billions)	Estimated market value	\$ 8.3	\$ 8.9

Results for Year

		(Dollars in thousands)	
		1967	1968
Income	<i>Fees and commissions from</i>		
	Estates, trusts and agencies	\$ 9,405	\$ 9,629
	Real estate sales and property management	4,265	4,643
	Stock transfer agencies and bond trusteeships	2,648	3,091
	Pension trusts and institutional accounts	1,872	2,332
	Mortgage administration	1,974	2,093
	Managed investment funds	73	158
	Computer services	—	—
	Miscellaneous	555	398
		\$ 20,792	\$ 22,344
	<i>Investment income from</i>		
	Mortgages	\$ 22,589	\$ 31,539
	Securities and equipment leases	15,612	19,010
	Collateral loans	3,153	4,187
	Short term deposits	5,641	7,741
		\$ 46,995	\$ 62,477
		\$ 67,787	\$ 84,821
Expenses	Interest paid	\$ 35,822	\$ 48,889
	Salaries, commissions and staff benefits	15,310	16,515
	Net premises expenses	2,934	3,316
	Other expenses	5,350	5,809
		\$ 59,416	\$ 74,529
Profit before Income Taxes		\$ 8,371	\$ 10,292
Less:	Interest of minority shareholders in net profit of subsidiary companies	\$ 250	\$ 250
	Income taxes	4,221	5,496
		\$ 4,471	\$ 5,746
Net Operating Profit		\$ 3,900	\$ 4,546
	Net gains (losses) on investments	422	689
	Foreign exchange adjustment	(28)	(45)
	Gain (loss) on disposal of premises	—	81
	Income tax reductions applicable to above items	(131)	(322)
Net Profit		\$ 4,163	\$ 4,949

1969	1970	1971	1972	1973	1974	1975	1976
\$ 126,998	\$ 236,896	\$ 282,158	\$ 343,272	\$ 493,779	\$ 427,214	\$ 555,294	\$ 628,536
97,291	91,470	104,963	127,361	182,272	157,379	143,818	233,163
423,672	478,236	525,688	464,914	380,556	449,093	360,220	403,922
—	—	—	—	—	13,154	80,820	138,381
682,419	838,655	960,697	1,174,517	1,553,652	2,019,235	2,239,117	2,761,133
35,492	34,633	30,353	29,965	31,233	35,883	37,841	50,684
12,687	7,688	8,248	11,161	17,467	18,084	18,599	51,068
\$1,378,559	\$1,687,578	\$1,912,107	\$2,151,190	\$2,658,959	\$3,120,042	\$3,435,709	\$4,266,887
\$1,013,164	\$1,285,919	\$1,492,554	\$1,604,179	\$2,046,374	\$2,475,745	\$2,636,826	\$3,116,027
91,904	104,439	129,123	194,902	211,041	215,577	309,010	513,014
168,649	185,809	172,446	221,825	244,379	269,101	305,156	405,457
\$1,273,717	\$1,576,167	\$1,794,123	\$2,020,906	\$2,501,794	\$2,960,423	\$3,250,992	\$4,034,498
\$ 32,312	\$ 28,455	\$ 27,911	\$ 26,954	\$ 34,367	\$ 21,823	\$ 38,878	\$ 31,747
5,578	7,506	8,279	9,547	17,038	26,996	25,081	38,764
5,043	5,006	5,552	5,632	7,935	8,312	8,851	10,482
\$ 42,933	\$ 40,967	\$ 41,742	\$ 42,133	\$ 59,340	\$ 57,131	\$ 72,810	\$ 80,993
\$ 61,909	\$ 70,444	\$ 76,242	\$ 88,151	\$ 97,825	\$ 102,488	\$ 111,907	\$ 151,396
\$10.0	\$10.7	\$11.2	\$12.6	\$14.0	\$13.6	\$15.1	\$16.8

1969	1970	1971	1972	1973	1974	1975	1976
\$ 10,072	\$ 10,914	\$ 10,814	\$ 11,079	\$ 13,241	\$ 13,690	\$ 13,979	\$ 15,685
5,796	7,256	12,173	17,978	30,414	43,026	55,501	76,871
3,319	3,280	3,514	4,115	4,044	4,237	4,645	5,325
2,666	2,938	3,216	3,827	4,380	5,522	6,064	6,809
2,206	2,287	2,742	3,474	4,050	4,275	5,263	6,134
611	1,109	1,890	3,003	4,186	4,440	5,349	6,156
—	—	—	—	—	—	12,672	15,314
843	857	947	1,344	764	1,965	1,316	1,901
\$ 25,513	\$ 28,641	\$ 35,296	\$ 44,820	\$ 61,079	\$ 77,155	\$ 104,789	\$ 134,195
\$ 47,557	\$ 65,508	\$ 82,122	\$ 96,004	\$ 126,127	\$ 173,653	\$ 204,112	\$ 248,866
33,949	37,428	32,301	31,368	23,839	30,124	38,895	38,837
6,735	7,007	5,731	6,858	10,485	12,479	11,714	15,575
10,081	15,003	22,398	25,307	39,997	74,999	52,419	66,546
\$ 98,322	\$ 124,946	\$ 142,552	\$ 159,537	\$ 200,448	\$ 291,255	\$ 307,140	\$ 369,824
\$ 123,835	\$ 153,587	\$ 177,848	\$ 204,357	\$ 261,527	\$ 368,410	\$ 411,929	\$ 504,019
\$ 79,476	\$ 104,269	\$ 113,106	\$ 127,146	\$ 161,130	\$ 248,146	\$ 254,635	\$ 308,755
20,338	23,475	29,243	35,573	49,260	63,576	82,157	108,878
3,163	3,814	4,203	4,879	5,655	6,665	8,241	11,401
7,650	8,086	10,621	13,096	17,113	23,196	31,322	39,980
\$ 110,627	\$ 139,644	\$ 157,173	\$ 180,694	\$ 233,158	\$ 341,583	\$ 376,355	\$ 469,014
\$ 13,208	\$ 13,943	\$ 20,675	\$ 23,663	\$ 28,369	\$ 26,827	\$ 35,574	\$ 35,005
\$ 275	\$ 279	\$ 283	\$ 386	\$ 654	\$ 670	\$ 606	\$ 677
6,588	6,867	10,323	10,800	13,469	12,220	16,023	14,718
\$ 6,863	\$ 7,146	\$ 10,606	\$ 11,186	\$ 14,123	\$ 12,890	\$ 16,629	\$ 15,395
\$ 6,345	\$ 6,797	\$ 10,069	\$ 12,477	\$ 14,246	\$ 13,937	\$ 18,945	\$ 19,610
(143)	402	(59)	563	100	(1,192)	(1,270)	(110)
(36)	(24)	111	(169)	(181)	(19)	(877)	(1,135)
888	—	(216)	909	—	76	205	189
(133)	(144)	160	(478)	12	638	702	574
\$ 6,921	\$ 7,031	\$ 10,065	\$ 13,302	\$ 14,177	\$ 13,440	\$ 17,705	\$ 19,128

Quarterly Analysis of Operating Results
1974 to 1976

(Dollars in thousand except per share amount)

		Quarter	1974	1975	1976
Income	<i>Real estate fees net of commissions paid</i>	1st	\$ 2,581	\$ 2,589	\$ 3,545
		2nd	4,763	4,467	5,958
		3rd	4,849	6,411	9,057
		4th	3,083	5,320	7,137
		Year	\$ 15,276	\$ 18,787	\$ 25,697
	<i>Other fees and commissions</i>	1st	\$ 7,793	\$ 10,946	\$ 13,568
		2nd	8,636	12,696	14,155
		3rd	7,244	11,990	13,759
		4th	10,456	13,656	15,842
		Year	\$ 34,129	\$ 49,288	\$ 57,324
	<i>Investment income less interest paid</i>	1st	\$ 10,277	\$ 11,670	\$ 13,777
		2nd	10,698	14,038	14,033
		3rd	10,842	12,560	15,532
		4th	11,292	14,237	17,727
		Year	\$ 43,109	\$ 52,505	\$ 61,069
	<i>Total net income</i>	1st	\$ 20,651	\$ 25,205	\$ 30,890
		2nd	24,097	31,201	34,146
		3rd	22,935	30,961	38,348
		4th	24,831	33,213	40,706
		Year	\$ 92,514	\$ 120,580	\$ 144,090
Expenses	<i>Salaries, etc.</i>	1st	\$ 8,460	\$ 10,615	\$ 12,571
		2nd	8,956	11,435	13,258
		3rd	9,085	11,416	15,175
		4th	9,325	11,977	16,700
		Year	\$ 35,826	\$ 45,443	\$ 57,704
	<i>Other expenses</i>	1st	\$ 6,512	\$ 8,617	\$ 10,469
		2nd	7,464	10,281	11,915
		3rd	7,634	9,548	12,510
		4th	8,251	11,117	16,487
		Year	\$ 29,861	\$ 39,563	\$ 51,381
	<i>Total expenses</i>	1st	\$ 14,972	\$ 19,232	\$ 23,040
		2nd	16,420	21,716	25,173
		3rd	16,719	20,964	27,685
		4th	17,576	23,094	33,187
		Year	\$ 65,687	\$ 85,006	\$ 109,085

Shareholders' Statistics

	1967	1968
Number of shareholders	3,028	3,403
Average shares outstanding*	6,320,000	6,584,000
Number of shares traded*	410,000	972,000
Price range – high*	\$ 12	\$ 13½
– low*	\$ 8	\$ 7⅞
– close*	\$ 9⅝	\$ 11¾
Net operating profit per share*	\$ 0.62	\$ 0.69
Dividends per share*	\$ 0.31	\$ 0.38
Price earnings ratio – high	19	20
– low	13	10

*Adjusted for two for one split in 1973.

Where applicable to residents of Canada, for purposes of calculating taxes on Capital gains, a "V-Day" valuation price of \$37.50 as at December 22, 1971 was established by the Department of National Revenue. After giving effect to the two for one split on March 14, 1973 this price has changed to \$18.75.

(Dollars in thousand except per share amount)

	Quarter	1974	1975	1976
<i>Operating profit before taxes</i>	1st	\$ 5,679	\$ 5,973	\$ 7,850
	2nd	7,677	9,485	8,973
	3rd	6,216	9,997	10,663
	4th	7,255	10,119	7,519
	Year	\$ 26,827	\$ 35,574	\$ 35,005
<i>Taxes and minority interest</i>	1st	\$ 2,678	\$ 2,681	\$ 3,642
	2nd	3,797	4,431	4,031
	3rd	2,798	4,724	4,611
	4th	3,617	4,793	3,111
	Year	\$ 12,890	\$ 16,629	\$ 15,395
<i>Operating profit after taxes</i>	1st	\$ 3,001	\$ 3,292	\$ 4,208
	2nd	3,880	5,054	4,942
	3rd	3,418	5,273	6,052
	4th	3,638	5,326	4,408
	Year	\$ 13,937	\$ 18,945	\$ 19,610
<i>Investment gains and (losses) and extraordinary items after tax</i>	1st	\$ (1)	\$ (188)	\$ (454)
	2nd	(106)	(390)	(134)
	3rd	(280)	(276)	(661)
	4th	(110)	(386)	767
	Year	\$ (497)	\$ (1,240)	\$ (482)
<i>Net profit</i>	1st	\$ 3,000	\$ 3,104	\$ 3,754
	2nd	3,774	4,664	4,808
	3rd	3,138	4,997	5,391
	4th	3,528	4,940	5,175
	Year	\$ 13,440	\$ 17,705	\$ 19,128
<i>Share earnings Operating profit</i>	1st	\$ 0.29	\$ 0.32	\$ 0.40
	2nd	0.38	0.49	0.48
	3rd	0.33	0.50	0.54
	4th	0.35	0.52	0.36
	Year	\$ 1.35	\$ 1.83	\$ 1.78
<i>Net profit</i>	1st	\$ 0.29	\$ 0.30	\$ 0.36
	2nd	0.37	0.45	0.46
	3rd	0.30	0.48	0.48
	4th	0.34	0.48	0.44
	Year	\$ 1.30	\$ 1.71	\$ 1.74

1969	1970	1971	1972	1973	1974	1975	1976
4,795	5,107	5,009	5,608	6,485	6,521	6,446	7,161
8,264,000	8,518,000	9,428,000	9,718,000	10,190,000	10,329,000	10,365,000	10,996,000
842,000	948,000	1,012,000	904,000	773,000	942,000	1,065,000	1,164,000
\$ 14½	\$ 15	\$ 20	\$ 25½	\$ 28¾	\$ 28¾	\$ 25⅞	\$ 24¾
\$ 10⅝	\$ 11¼	\$ 14⅞	\$ 18	\$ 21¾	\$ 17	\$ 18¾	\$ 15½
\$ 13½	\$ 14¼	\$ 18	\$ 25⅞	\$ 26¼	\$ 20⅝	\$ 19⅞	\$ 17½
\$ 0.77	\$ 0.80	\$ 1.07	\$ 1.28	\$ 1.40	\$ 1.35	\$ 1.83	\$ 1.78
\$ 0.42	\$ 0.48	\$ 0.50	\$ 0.60	\$ 0.80	\$ 0.90	\$ 0.90	\$ 0.91½
19	19	19	20	21	21	14	14
14	14	13	14	16	13	10	9

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Philip S. H. Brodie, *Chairman*
Charles W. Carry
Harry Hole
Egerton W. King
John F. McDougall
William S. McGregor
G. Richard A. Rice

Vancouver

Nicholas R. D. Dennys, *Chairman*
A. John Ellis
William S. Kirkpatrick
The Hon. John L. Nichol
John G. Prentice
John H. Salter
The Hon. James Sinclair
J. Bruce Smith
C. Reginald Tanner

Victoria

Alan G. Aldous, *Chairman*
David Angus
S. Joseph Cunliffe
John W. Bayne
RAdm James C. Hibbard
Harold Husband
Ralph D. Perry
Hector C. Stone
Hubert A. Wallace

Offices
(including Real Estate)

Newfoundland

Corner Brook
St. John's

Nova Scotia

*Bridgewater
*Dartmouth (2)
Halifax

Prince Edward Island

Charlottetown (2)

New Brunswick

Dieppe
Fredericton (2)
Moncton
Saint John

Québec

*Drummondville
*Granby
Hull (2)
Saguenay/Lac St. Jean
*Knowlton
Québec City (4)
*Rimouski
Sherbrooke (2)
*Sorel
*St. Jean
Trois-Rivières (2)

*Real Estate Services only

Montreal Metro Region

Anjou (3)
*Beaconsfield
*Beloeil (2)
Brossard
Châteauguay (2)
*Côte St. Luc
Dorval
*Hudson
LaSalle (2)
Laval (5)
*Longueuil (2)
Montreal (6)
*Montreal West
*Pointe Claire (2)
Repentigny
*Roxboro
*St. Bruno de Montarville
*St. Laurent
*Snowdon
Town of Mount Royal (3)
Westmount (2)

Ontario

*Aylmer
Belleville
*Burlington
Chatham
Forest
Guelph (3)
Hamilton (5)
Kingston (2)
Kitchener (3)
London (7)
Niagara Falls
Ottawa (9)
Peterborough (2)
Petrolia
St. Catharines (2)
St. Thomas
Sarnia (2)
Sault Ste-Marie
Strathroy
Thunder Bay (2)
Waterloo
Windsor (3)
Woodstock

Toronto Metro Region

Agincourt (2)
Barrie
*Brampton (2)
*Bramalea
*Clarkson
*Don Mills (2)
*Erin Mills
*Etobicoke
*Georgetown
Leaside
*Mississauga (2)
Oakville
*Orangeville
Oshawa (3)
Rexdale
Scarborough (7)
Thornhill
Toronto (25)

Manitoba

Winnipeg (6)

Saskatchewan

Regina (2)
Saskatoon (2)

Alberta

Calgary (16)
Edmonton (6)
Lethbridge (2)
Red Deer

British Columbia

*Burnaby
Kelowna (3)
*North Vancouver
*Richmond
*Rutland
*Surrey
Vancouver (3)
Victoria (3)
West Vancouver

Representative

U.S.A.

California
Frank R. Southee
P.O. Box 28081
San Diego, California 92128

Staff and Offices

		Com- mis- sioned Real Estate	Total	Offices
	Sala- ried Staff	Sales Staff	Staff	
1967	2,004	211	2,215	49
1968	2,068	200	2,268	52
1969	2,332	233	2,565	57
1970	2,424	393	2,817	68
1971	2,531	583	3,114	76
1972	2,880	908	3,788	101
1973	3,139	1,257	4,396	113
1974	3,222	1,523	4,745	123
1975	3,636	1,923	5,559	142
1976	4,466	3,349	7,815	236

The Royal Trust Group

Comprising The Royal Trust Company, principal subsidiaries and associated companies

The Royal Trust Company

The Royal Trust Company commenced operations in Montreal in 1899. Today, through branches, subsidiaries and affiliates from coast to coast in Canada, the U.S.A. and overseas, the Company provides a complete range of trust services to individuals, corporations and institutions, as well as deposit taking and other financial services.

Principal Subsidiaries

Canada

Royal Trust Corporation of Canada
Established in 1976 under the federal Trust Companies Act, this Company, with its Head Office in Calgary, Alberta, conducts Royal Trust's business in various provinces in Canada, providing all the trust, real estate and other services available through the Canadian operations of the Royal Trust group.

The Royal Trust Company Mortgage Corporation

The Mortgage Corporation commenced its present business from Montreal in 1959. The Corporation obtains funds through the issuance of debentures and short-term notes and invests these funds chiefly in first mortgages.

Computel Systems Ltd.

Computel Systems Ltd., from its computer base in Ottawa and through a coast to coast network of high speed teleprocessing terminals, operates one of the largest and most advanced computer systems in Canada. It provides computing services to Royal Trust as well as to industrial, commercial, governmental and other clients across Canada and the U.S.A.

U.S.A.

Florida

Royal Trust Bank Corp.

Located in Miami, Royal Trust Bank Corp. through banks in Miami, Tampa, Gulfport (St. Petersburg) and Palm Beach provides banking and other financial services.

Overseas

England

The Royal Trust Company of Canada
Royal Trust commenced operations in London, in 1929. Initially operating with trust facilities only, it was granted modified banking status in 1972.

Channel Islands

The Royal Trust Company of Canada (C.I.) Limited
Located at St. Helier, Jersey, in the Channel Islands, it began operations in 1962 and provides complete trust and deposit-taking facilities, particularly in the management of non-resident trusts, as well as an international tax planning service.

The Royal Trust Company (Guernsey) Limited
This Company provides similar services to its sister Company in Jersey from its office located in St. Peter Port.

Ireland

The Royal Trust Company (Ireland) Limited
Dublin
This Irish subsidiary was established in 1966 and conducts trust, investment management and deposit-taking operations in the Republic of Ireland.

Isle of Man

The Royal Trust Company (Isle of Man) Douglas
Established in 1976, initially as a branch of our operations in London, England, this Company provides specialized trust, investment management and other services in the Isle of Man.

Liechtenstein

The International Royal Trust Company A.G., Vaduz
This Liechtenstein Company, a subsidiary of Royal Trust in Jersey, was formed in 1973 and meets the general need for trust services in that jurisdiction. Its particular function is to act as investment manager and/or trustee for individuals, trusts and companies.

Associated Companies

Canada

Arteco Mortgage Investment Company
Arteco commenced activity in 1975 as a mortgage investment company under the federal Loan Companies Act. With its head office in Edmonton, the company invests principally in residential mortgage loans through the issue of debt as well as equity. Royal Trust is under contract to manage Arteco and provide a supply of suitable mortgages for investment.

BM-RT Ltd., Montreal

BM-RT Ltd. is jointly owned with the Bank of Montreal. It functions as the "Adviser" to BM-RT Realty Investments, which is authorized to invest in a wide range of real estate securities. The Adviser also issues debentures and short and medium term notes in the market and lends the resulting funds exclusively to the Trust. There is an advisory contract between the Adviser and the Trust and the two Sponsors have undertaken to provide mortgages suitable as investments for the Trust and to maintain the portfolio fully invested.

Builders Financial Co. Limited

This Company was incorporated in Toronto in 1971, jointly by Royal Trust and Continental Illinois Corporation, the one-bank holding company for Continental Illinois National Bank and Trust Company of Chicago. Builders Financial and its wholly-owned subsidiaries, Builders Capital Limited and Western Builders Capital Limited are engaged in the business of interim financing of real estate throughout Canada. This consists primarily of construction loans for major commercial projects such as apartment buildings, shopping centres, office buildings, hotels and large scale residential developments.

The Sovereign Mortgage Insurance Company

Commenced operations in Toronto in 1973. The business of this Company is to insure mortgage lenders against losses in the event of default by borrowers. The other shareholders are IAC Limited, Toronto, Continental Illinois Corporation, Chicago and Canada Permanent Mortgage Corporation, Toronto.

TohCan Limited

TohCan commenced operations in 1974 in Vancouver. It provides term financing to Canadian companies including joint Canadian-Japanese ventures. Associated with Royal Trust as shareholders are: The Bank of Tokyo, The Toronto-Dominion Bank, The Bank of British Columbia, Banque Canadienne Nationale and A. E. Ames and Co. Limited.

Overseas

Bahamas International Trust Company Limited (BITCO)

Nassau
Established in 1957, it provides general trust services under the laws of the Bahamas. Royal Trust's partners in this Company are Barclays Bank International Ltd. London, Hambros Bank Ltd., London, Robert Fleming & Co. Ltd., London, Anglo American Corporation of South Africa Ltd., The Chartered Bank London, N.M. Rothschild & Sons, London and The Bank of New York.

Cayman International Trust Company Limited (CITCO)

Georgetown, Grand Cayman
Established in 1967 by the same shareholders as Bahamas International Trust Company Limited. Cayman International conducts general trust operations in the Cayman Islands.

International Trust Company of Bermuda Limited (ITCOB)

Hamilton
This Company commenced general trust operations in Bermuda in 1970. The other sponsors are Bermuda Provident Bank Limited, Barclays Bank International Ltd. and Hambros Bank Ltd.

Services Royal Trust provides . . .

For the individual

Agent for the investment of money and collection of dividends, interest, rent, and the principal of mortgages, bonds and stocks

Agent or attorney for executors

Agent for the management of estates

Certificates of Deposits (Guaranteed Investment Certificates) with terms up to 5 years and the option of interest payments, monthly, semi-annually or annually

Committee or curator to property

Estate planning

Executor and Trustee under wills, including Administrator or Agent for the heirs in estates where there is no will

Income-Averaging Annuity contracts

Income tax services

Investment management

Managed investment funds (A, B, C and M)

Management and custodianship of securities

Mortgage insurance

Mortgage life insurance

Mortgage loans

Professional Athletes Financial Services

Real estate broker; sales, leasing, property management, appraisals, employee relocation services

Registered Home Ownership Savings Plans

Registered Retirement Savings Plans, including:

Guaranteed savings account retirement savings plan;

B Fund Retirement Savings Plan

C Fund Retirement Savings Plan

M Fund Retirement Savings Plan

Guaranteed Retirement Savings Plan

Self Directed Retirement Savings Plan

Royal Trust 60 – for clients of sixty years and over

Savings and chequing accounts

Standing-by attorney

Trustee under deeds of trust

For corporations, firms and other organizations

Agent for real estate, mortgages and lease back agreements

Computer processing and programming services

Custodian and trustee for non-resident insurance companies

Deferred Profit Sharing Plans

Depository and escrow agent

Depository for medium and short term money against Guaranteed Investment Certificates

General financial agent and all related services

Group Retirement Savings Plan

Interim and long term mortgage financing

Management of endowment funds, collection of pledges, etc., for charitable, religious, educational and similar bodies

Management and custodianship of securities

Paying agent for dividends and bond interest

Property management

Subscription and rights agent

Transfer agent and registrar for shares

Trustee for bondholders and registrar for bonds

Trustee for buy-sell agreements under business insurance trusts

Trustee and custodian for pension and other employee benefit plans



Member:
Trust Companies
Association
of Canada



Artisans of Canada

We are proud to dedicate our 1976 annual report to the artisans of Canada, whose skills are illustrated by this year's photographs. They represent a living link between our native cultural past and the ever-encroaching demands of the present. The work of the men and women we have photographed represent only a small portion of the crafts that flourish in Canada today.

The figure, from a totem pole, on our front cover was carved by a member of 'Ksan, an Indian Museum and Craft Village in Hazelton, British Columbia, who uses tools that his ancestors would recognize. The enamelers, ceramists, potters and other artisans as seen in the photographs of this report still use the same gestures, the same basic instruments that were already old when the Royal Trust was founded 78 years ago.

We acknowledge the assistance provided by Virginia Watt, Managing Director of the Canadian Guild of Craft (Quebec) and Dora Kenni of the 'Ksan Association, Hazelton, British Columbia in the development of the photographic theme of this report.

reduction in annual operating profits will be necessary in the amount of about \$2.4 million or 12 cents per share. In our opinion these regulations are discriminatory against the trust industry generally and in the case of Royal Trust, in our opinion, are particularly harsh.

At the beginning of the A.I.B. programme, it was our understanding that the philosophy of the Government of Canada, as set out in the White Paper, on this subject, was that Canadian industry would be allowed to retain profits accruing from gains in productivity. The recently released draft regulations give partial effect to this intention, but specifically exclude most of our operations from the benefit of retaining profits arising from such gains. The Company has made what it believes to be adequate provision in the statements presented herein for the possible effects of the final regulations.

We are making direct representation to the Chairman of the A.I.B., concerning these matters and sincerely hope our submission will receive favourable recognition of the necessity for regulations which are equitable to the trust industry as a whole and in particular Royal Trust.

KENNETH A. WHITE

President and Chief Executive Officer

July 20, 1976

Quarterly Analysis of Income and Earnings

(Dollars in Thousands except for Earnings per Share)

Quarter	Fees and Commissions	Income From Investments Less Interest Paid	Net Operating Profit	Earnings Per Share
1st	\$ 11,174	10,022	3,135	.31
2nd	15,188	10,223	3,853	.38
3rd	16,850	9,447	3,461	.34
4th	17,867	9,626	3,797	.37
1973	<u>\$ 61,079</u>	<u>39,318</u>	<u>14,246</u>	<u>1.40</u>
1st	\$ 15,031	10,277	3,001	.29
2nd	21,343	10,698	3,880	.38
3rd	20,810	10,842	3,418	.33
4th	19,971	11,292	3,638	.35
1974	<u>\$ 77,155</u>	<u>43,109</u>	<u>13,937</u>	<u>1.35</u>
1st	\$ 18,810	11,670	3,292	.32
2nd	25,865	14,038	5,054	.49
3rd	30,662	12,560	5,273	.50
4th	29,452	14,237	5,326	.52
1975	<u>\$104,789</u>	<u>52,505</u>	<u>18,945</u>	<u>1.83</u>
1st	\$ 23,913	13,777	4,208	.40
2nd	31,350	14,033	4,942	.48
Half Year				
1976	<u>\$ 55,263</u>	<u>27,810</u>	<u>9,150</u>	<u>.88</u>

AR02



Royal Trust Co.

\$15.1 billion Assets under administration
(31st December 1975)

HEAD OFFICE

630 DORCHESTER BLVD. W.
MONTREAL

Offices from coast to coast and abroad

INTERIM REPORT

SIX MONTHS ENDING 30th JUNE, 1976

To our shareholders

Recently we announced our intention to acquire United Trust, which operates a savings and real estate branch system in Alberta, Southern Ontario, Quebec and the Maritimes. This acquisition will be very significant to our future Canadian operations as it will add to our present staff a well organized group of some 1,000 savings personnel and administrative staff together with 1,300 real estate sales agents, all operating from some 90 locations. In effect this represents an expansion of our operations in Canada in just a matter of months, which otherwise would have taken up to five years. The formalities are now under way and the acquisition should be completed in about two months.

The proposed plan of acquisition contemplates an exchange of shares on the basis of 3 shares of Royal Trust for every 5 of United. The merger will result in a modest dilution of Royal Trust's earnings immediately. However, we believe that with direct support of the large Royal Trust organization, it is reasonable to estimate that the expanded branch operation will make a substantial profit contribution to our consolidated earnings within three to four years.

In Florida, we have completed formalities for the acquisition of the Dale Mabry State Bank, Tampa and shortly expect to complete the transaction for the First Bank of Gulfport. In addition we expect regulatory approval for our acquisition of Worth Avenue National Bank, Palm Beach. We also have reached an agreement in principle with the majority shareholders of the Baymeadows Bank, Jacksonville. All of these banks, together with our existing operations in Miami, would bring our total assets in that State to about \$165 million.

As of July 1st, we commenced operations of the Royal Trust Corporation of Canada with Head Office in Calgary. This federally chartered trust company is now licensed to operate in all of the Western provinces.

You will naturally be concerned as to the impact of the proposed regulations of the Anti-Inflation Board as they affect the Company. A preliminary assessment indicates to us that a

CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Dollars in thousands)
Statement of Profit and Loss

	Six Months Ending 30th June		% Increase (Decrease)
	1976	1975	
Income			
Fees and commissions	\$ 55,263	\$ 44,675	24
Income from investments	174,340	151,362	15
	<u>\$ 229,603</u>	<u>\$ 196,037</u>	<u>17</u>
Expenses			
Interest paid	\$ 146,530	\$ 125,654	17
Salaries, real estate sales commissions and staff benefits	43,866	36,027	22
Other	22,384	18,898	18
	<u>\$ 212,780</u>	<u>\$ 180,579</u>	<u>18</u>
Profit before income taxes	\$ 16,823	\$ 15,458	9
Income taxes	7,384	6,768	9
Net profit before interest of minority shareholders	\$ 9,439	\$ 8,690	9
Minority interest	289	344	(16)
Net operating profit (per share 1976 — \$0.88, 1975 — \$0.81)	\$ 9,150	\$ 8,346	10
Net gains (losses) on investments and extraordinary items after taxes	(588)	(578)	(2)
Net profit for the period (per share 1976 — \$0.82, 1975 — \$0.75)	<u>\$ 8,562</u>	<u>\$ 7,768</u>	<u>10</u>
Average number of shares outstanding	10,428,000	10,352,000	1
Dividend per share paid in period	\$0.45	\$0.45	—

Balance Sheet

	as at 30th June		% Increase (Decrease)
	1976	1975	
Assets			
Cash, bank deposits and treasury bills	\$ 670,704	\$ 472,850	42
Secured loans, and advances to clients	146,079	138,047	6
Securities	415,363	461,600	(10)
Mortgages	2,344,832	2,054,475	14
Receivables under equipment leases	78,808	12,555	528
Other assets	59,392	56,803	5
	<u>\$ 3,715,178</u>	<u>\$ 3,196,330</u>	<u>16</u>
Liabilities and Equity			
Deposits and borrowings	\$ 3,531,211	\$ 3,022,465	17
Other liabilities	29,783	30,072	(1)
Deferred income taxes	27,192	29,481	(8)
Minority interest	8,879	8,521	4
Shareholders' equity	118,113	105,791	12
	<u>\$ 3,715,178</u>	<u>\$ 3,196,330</u>	<u>16</u>